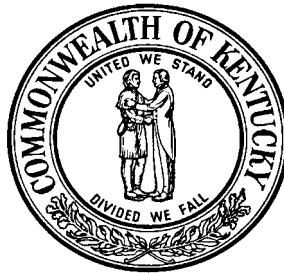


**REPORT OF THE AUDIT OF THE  
WAYNE COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2008**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE WAYNE COUNTY FISCAL COURT**

**June 30, 2008**

The Auditor of Public Accounts has completed the audit of the Wayne County Fiscal Court for the fiscal year ended June 30, 2008. We have issued unqualified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Wayne County, Kentucky.

#### **Financial Condition:**

The fiscal court had total net assets of \$10,275,279 as of June 30, 2008. The fiscal court had unrestricted net assets of \$1,103,968 in its governmental activities as of June 30, 2008 with total net assets of \$6,985,185. In its business-type activities, total net cash and cash equivalents were \$56,726 with total net assets of \$3,290,094. The fiscal court had total debt principal as of June 30, 2008 of \$13,189,833 with \$899,779 due within the next year.

#### **Report Comments:**

- 2008-01 The Fiscal Court Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits And Should Have A Written Agreement To Protect Deposits
- 2008-02 The Airport Board Should Pay Invoices Within Thirty Working Days As Required By KRS 65.140
- 2008-03 Jail Commissary Lacks An Adequate Segregation Of Duties
- 2008-04 The Airport Board Lacks An Adequate Segregation Of Duties
- 2008-05 The Airport Board Should Maintain Adequate Grant Files

#### **Deposits:**

The fiscal court's deposits were exposed to custodial credit risk as follows:

- \$460,494 Unsecured and Uncollateralized as of August 31, 2007

The Fiscal Court held a properly executed collateral security agreement for \$329,447 of the \$460,494, but the bank did not adequately collateralize the deposits in accordance with the security agreement. Fiscal Court did not have a valid, written security agreement in place for the remaining \$131,047.



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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Greg Rankin, Wayne County Judge/Executive  
Members of the Wayne County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wayne County, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Wayne County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Wayne County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wayne County, Kentucky, as of June 30, 2008 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The County has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the budgetary comparison schedules. However, we did not audit the information and express no opinion on it.



To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Greg Rankin, Wayne County Judge/Executive  
Members of the Wayne County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wayne County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated June 8, 2009, on our consideration of Wayne County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2008-01 The Fiscal Court Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits And Should Have A Written Agreement To Protect Deposits
- 2008-02 The Airport Board Should Pay Invoices Within Thirty Working Days As Required By KRS 65.140
- 2008-03 Jail Commissary Lacks An Adequate Segregation Of Duties
- 2008-04 The Airport Board Lacks An Adequate Segregation Of Duties
- 2008-05 The Airport Board Should Maintain Adequate Grant Files

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

June 8, 2009



WAYNE COUNTY OFFICIALS

For The Year Ended June 30, 2008

**Fiscal Court Members:**

Greg Rankin	County Judge/Executive
Danny Bell	Magistrate
Darrell Dishman	Magistrate
Richard Munsey	Magistrate
Dale Vaughn	Magistrate

**Other Elected Officials:**

L. Lee Tobbe	County Attorney
Ray C. Upchurch	Jailer
Melissa Turpin	County Clerk
Richard Morrow	Circuit Court Clerk
Charles Boston	Sheriff
Bobby Upchurch	Property Valuation Administrator
Forrest Hicks	Coroner

**Appointed Personnel:**

Barbara Gehring	County Treasurer
Barbara Hagen	Occupational Tax Collector
Peggy L. Baker	Finance Officer
Sue Thompson	Payroll Officer
Danny Kinnett	Road Supervisor
Helen Hale	Jail Commissary Supervisor

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**WAYNE COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2008**



**WAYNE COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2008**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-Type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Totals</b>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 1,470,828	\$ 56,726	\$ 1,527,554
Assets Held for Resale	105,000		105,000
Notes Receivable (Cable System)	94,956		94,956
Total Current Assets	1,670,784	56,726	1,727,510
Noncurrent Assets:			
Notes Receivable (Cable System)	1,882,149		1,882,149
Capital Assets - Net of Accumulated Depreciation			
Land and Land Improvements	936,035	110,312	1,046,347
Buildings	11,193,785	851,058	12,044,843
Other Equipment	733,405	5,243	738,648
Vehicles and Equipment	669,171	1,760	670,931
Infrastructure	3,044,689	2,309,995	5,354,684
Total Noncurrent Assets	18,459,234	3,278,368	21,737,602
Total Assets	20,130,018	3,335,094	23,465,112
<b>LIABILITIES</b>			
Current Liabilities:			
Bonds Payable	470,000		470,000
Financing Obligations Payable	422,279	7,500	429,779
Total Current Liabilities	892,279	7,500	899,779
Noncurrent Liabilities:			
Bonds Payable	10,205,000		10,205,000
Financing Obligations Payable	2,047,554	37,500	2,085,054
Total Noncurrent Liabilities	12,252,554	37,500	12,290,054
Total Liabilities	13,144,833	45,000	13,189,833
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	5,514,357	3,233,368	8,747,725
Restricted For:			
Capital Projects	366,860		366,860
Unrestricted	1,103,968	56,726	1,160,694
Total Net Assets	\$ 6,985,185	\$ 3,290,094	\$ 10,275,279

The accompanying notes are an integral part of the financial statements.

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**WAYNE COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**

**WAYNE COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 2,517,197	\$ 37,035	\$ 1,104,910	\$ 1,594,522
Protection to Persons and Property	2,024,935	1,508,589	669,060	5,000
General Health and Sanitation	383,919			
Social Services	238,441	1,125	27,778	
Recreation and Culture	292,228			
Roads	985,975		1,115,329	
Airports	22,851			
Other Transportation Facilities and Services	9,035			
Debt Service	460,281			
Capital Projects	625,041			
Total Governmental Activities	7,559,903	1,546,749	2,917,077	1,599,522
Business-type Activities:				
Jail Canteen	273,867	257,526	14,127	
Airport Board	213,295	103,487	3,436	279,360
Total Business-type Activities	487,162	361,013	17,563	279,360
Total Primary Government	\$ 8,047,065	\$ 1,907,762	\$ 2,934,640	\$ 1,878,882

**General Revenues:**

Taxes:

Real Property Taxes  
Personal Property Taxes  
Motor Vehicle Taxes  
Occupational Taxes  
Other Taxes  
Insurance License Tax  
Excess Fees  
Miscellaneous Revenues  
Interest Income

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.



**WAYNE COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2008**  
**(Continued)**

<b>Net (Expenses) Revenues and Changes in Net Assets</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
\$ 219,270	\$	\$ 219,270
157,714		157,714
(383,919)		(383,919)
(209,538)		(209,538)
(292,228)		(292,228)
129,354		129,354
(22,851)		(22,851)
(9,035)		(9,035)
(460,281)		(460,281)
(625,041)		(625,041)
(1,496,555)		(1,496,555)
	(2,214)	(2,214)
	172,988	172,988
	170,774	170,774
\$ (1,496,555)	\$ 170,774	\$ (1,325,781)
635,226		635,226
120,900		120,900
99,695		99,695
1,384,709		1,384,709
578,128		578,128
499,223		499,223
241,767		241,767
84,056		84,056
56,426	640	57,066
3,700,130	640	3,700,770
2,203,575	171,414	2,374,989
4,781,610	3,118,680	7,900,290
\$ 6,985,185	\$ 3,290,094	\$ 10,275,279

The accompanying notes are an integral part of the financial statements.

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**WAYNE COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2008**

**WAYNE COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2008**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Justice Center Project Fund</b>	<b>Non- Major Funds</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 915,399	\$ 112,805	\$ 63,666	\$ 366,860	\$ 12,098
Total Assets	<u>915,399</u>	<u>112,805</u>	<u>63,666</u>	<u>366,860</u>	<u>12,098</u>
<b>FUND BALANCES</b>					
Reserved for:					
Encumbrances	20,180	10,079	7,257		933
Unreserved:					
General Fund	895,219				
Special Revenue Funds		102,726	56,409		11,165
Capital Projects Fund				366,860	
Total Fund Balances	<u>\$ 915,399</u>	<u>\$ 112,805</u>	<u>\$ 63,666</u>	<u>\$ 366,860</u>	<u>\$ 12,098</u>

The accompanying notes are an integral part of the financial statements.

**WAYNE COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**June 30, 2008**  
**(Continued)**

<b>Total Governmental Funds</b>
<u>\$ 1,470,828</u>
<u>1,470,828</u>

38,449
895,219
170,300
<u>366,860</u>
<u>\$ 1,470,828</u>

**Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets**

Total Fund Balances	\$ 1,470,828
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	18,901,968
Accumulated Depreciation	(2,324,883)
Assets Held for Resale	105,000
Notes Receivable (Cable System)	1,977,105
Long-term Debt Is Not Due And Payable In The Current Period And, Therefore, Is Not Reported In The Funds.	
Financing Obligations	(2,469,833)
Bonds	<u>(10,675,000)</u>
Net Assets Of Governmental Activities	<u>\$ 6,985,185</u>

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**WAYNE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**

**WAYNE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Justice Center Project Fund</b>
<b>REVENUES</b>				
Taxes	\$ 2,895,794	\$	\$	\$
In Lieu Tax Payments	385,084	1,282		
Excess Fees	241,767			
Licenses and Permits	37,035			
Intergovernmental	1,095,245	1,951,134	1,316,317	897,411
Charges for Services	731,955		29,257	
Miscellaneous	53,283	827	31,073	
Interest	37,704	8,409	3,162	6,592
Total Revenues	<u>5,477,867</u>	<u>1,961,652</u>	<u>1,379,809</u>	<u>904,003</u>
<b>EXPENDITURES</b>				
General Government	1,043,246			
Protection to Persons and Property	1,461,925		1,266,933	
General Health and Sanitation	383,411			
Social Services	238,441			
Recreation and Culture	292,228			
Roads		2,272,070		
Airports	22,851			
Road Facilities		9,035		
Debt Service	123,216	12,187	2,500	587,661
Capital Projects	580,452			44,589
Administration	1,081,186	94,140	220,012	
Total Expenditures	<u>5,226,956</u>	<u>2,387,432</u>	<u>1,489,445</u>	<u>632,250</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>250,911</u>	<u>(425,780)</u>	<u>(109,636)</u>	<u>271,753</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds From Sale Of Assets Held For Resale		90,057		
Borrowed Money	71,656	265,514		
Transfers From Other Funds	5,000	129,859	457,110	
Transfers to Other Funds	(595,408)		(316,000)	
Total Other Financing Sources (Uses)	<u>(518,752)</u>	<u>485,430</u>	<u>141,110</u>	
Net Change in Fund Balances	(267,841)	59,650	31,474	271,753
Fund Balances - Beginning (Restated)	1,183,240	53,155	32,192	95,107
Fund Balances - Ending	<u>\$ 915,399</u>	<u>\$ 112,805</u>	<u>\$ 63,666</u>	<u>\$ 366,860</u>

The accompanying notes are an integral part of the financial statements.



**WAYNE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2008**  
**(Continued)**

<b>Detention Facility Project Fund</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$	\$ 3,366	\$ 2,899,160
		386,366
		241,767
		37,035
	36,222	5,296,329
		761,212
		85,183
	559	56,426
	40,147	9,763,478
	29,383	1,072,629
	25,282	2,754,140
		383,411
		238,441
		292,228
		2,272,070
		22,851
		9,035
316,000		1,041,564
		625,041
	5,860	1,401,198
316,000	60,525	10,112,608
(316,000)	(20,378)	(349,130)
		90,057
		337,170
316,000	8,439	916,408
	(5,000)	(916,408)
316,000	3,439	427,227
	(16,939)	78,097
	29,037	1,392,731
\$ 0	\$ 12,098	\$ 1,470,828

The accompanying notes are an integral part of the financial statements.

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**WAYNE COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**



**WAYNE COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**

Net Change in Fund Balances - Total Governmental Funds	\$ 78,097
<p>Amounts Reported For Governmental Activities In The Statement  Of Activities Are Different Because:</p> <p>Governmental Funds Report Capital Outlays As Expenditures. However, In The  Statement of Activities The Cost Of Those Assets Are Allocated Over Their  Estimated Useful Lives And Reported As Depreciation Expense.</p>	
Capital Outlay	2,351,127
Depreciation Expense	(469,182)
Net Book Value of Disposed Assets	(580)
Purchase of Asset Held for Resale	105,000
Asset Held For Resale, Disposed Of	(105,000)
Notes Receivable Principal Received Is Receipted In The Governmental Funds As A Current Financial Resource but is a reduction of the receivable at the government - wide level. This Transaction Has No Effect On Net Assets.	(92,012)
The Issuance Of Long-term Debt (e.g. bonds, leases) Provides Current Financial Resources To Governmental Funds, While Financing Obligations And Bond Principle Payments Are Expensed In The Governmental Funds As A Use Of Current Financial Resources. These Transactions, However, Have No Effect On Net Assets	
Financing Obligations Proceeds	(337,170)
Financing Obligations Principal Payments	213,295
Bond Principal Payments	460,000
Change in Net Assets of Governmental Activities	<u>\$ 2,203,575</u>

The accompanying notes are an integral part of the financial statements.

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**WAYNE COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS**

**June 30, 2008**





**WAYNE COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS**

**June 30, 2008**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Jail Canteen Fund</b>	<b>Airport Board Fund</b>	<b>Totals</b>
<b>Assets</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 33,327	\$ 23,399	\$ 56,726
Total Current Assets	<u>33,327</u>	<u>23,399</u>	<u>56,726</u>
Noncurrent Assets:			
Capital Assets			
Land and Land Improvements		110,312	110,312
Buildings		1,161,952	1,161,952
Infrastructure		2,484,787	2,484,787
Other Equipment	13,568		13,568
Vehicles and Equipment		9,500	9,500
Less: Accumulated Depreciation	(8,325)	(493,426)	(501,751)
Total Noncurrent Assets	<u>5,243</u>	<u>3,273,125</u>	<u>3,278,368</u>
Total Assets	<u>38,570</u>	<u>3,296,524</u>	<u>3,335,094</u>
<b>Liabilities</b>			
Current Liabilities:			
Financing Obligations		7,500	7,500
Noncurrent Liabilities:			
Financing Obligations		37,500	37,500
Total Liabilities		<u>45,000</u>	<u>45,000</u>
<b>Net Assets</b>			
Invested in Capital Assets,			
Net of Related Debt	5,243	3,228,125	3,233,368
Unrestricted	33,327	23,399	56,726
Total Net Assets	<u>\$ 38,570</u>	<u>\$ 3,251,524</u>	<u>\$ 3,290,094</u>

The accompanying notes are an integral part of the financial statements.

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**WAYNE COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**



**WAYNE COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Jail Canteen Fund</b>	<b>Airport Board Fund</b>	<b>Total</b>
<b>Operating Revenues</b>			
Canteen Receipts	\$ 257,526	\$	\$ 257,526
Airport Receipts		103,487	103,487
Total Operating Revenues	<u>257,526</u>	<u>103,487</u>	<u>361,013</u>
<b>Operating Expenses</b>			
Cost of Sales	158,884	55,443	214,327
Service Fees		5,810	5,810
Travel		530	530
Dues and Subscriptions		190	190
Educational and Recreational	17,163		17,163
Insurance		10,309	10,309
Personnel Costs	44,296	2,400	46,696
Repairs and Maintenance		9,301	9,301
Sales Tax	11,458	5,339	16,797
Depreciation	1,565	119,414	120,979
Interest		1,050	1,050
Miscellaneous	4,975	1,559	6,534
Utilities		1,950	1,950
Total Operating Expenses	<u>238,341</u>	<u>213,295</u>	<u>451,636</u>
Operating Income (Loss)	<u>19,185</u>	<u>(109,808)</u>	<u>(90,623)</u>
<b>Nonoperating Revenues (Expenses)</b>			
Interest Income		640	640
Program Support		3,436	3,436
Grant Receipts		279,360	279,360
Medical Expenses	(13,092)		(13,092)
Inmate Pay From State	14,127		14,127
Inmate Refunds	<u>(22,434)</u>		<u>(22,434)</u>
Total Nonoperating Revenues (Expenses)	<u>(21,399)</u>	<u>283,436</u>	<u>262,037</u>
Change In Net Assets	(2,214)	173,628	171,414
Total Net Assets - Beginning	40,784	3,077,896	3,118,680
Total Net Assets - Ending	<u>\$ 38,570</u>	<u>\$ 3,251,524</u>	<u>\$ 3,290,094</u>

The accompanying notes are an integral part of the financial statements.

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**WAYNE COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2008**





**WAYNE COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Jail Canteen Fund</b>	<b>Airport Board Fund</b>	<b>Totals</b>
<b>Cash Flows From Operating Activities</b>			
Receipts From Customers	\$ 257,526	\$ 103,487	\$ 361,013
Cost of Sales	(158,884)	(55,443)	(214,327)
Educational and Recreational	(17,163)		(17,163)
Personnel Costs	(44,296)	(2,400)	(46,696)
Sales Tax	(11,458)	(5,339)	(16,797)
Miscellaneous	(4,975)	(30,699)	(35,674)
Net Cash Provided By Operating Activities	20,750	9,606	30,356
<b>Cash Flows From Noncapital Financing Activities</b>			
Medical Expenses	(13,092)		(13,092)
Inmate Pay From State	14,127		14,127
Program Support		3,436	3,436
Inmate Refunds on Accounts	(22,434)		(22,434)
Net Cash Provided By Noncapital Financing Activities	(21,399)	3,436	(17,963)
<b>Cash Flows From Capital and Related Financing Activities</b>			
State and Federal Monies		279,360	279,360
Debt Service		(7,500)	(7,500)
Capital Outlay		(599,758)	(599,758)
Net Cash (Used) Provided By Capital and Related Financing Activities		(327,898)	(327,898)

The accompanying notes are an integral part of the financial statements.

**WAYNE COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2008**  
**(Continued)**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Jail Canteen Fund</b>	<b>Airport Board Fund</b>	<b>Totals</b>
<b>Cash Flows From Investing Activities</b>			
Interest Earned	\$	\$ 640	\$ 640
Net Cash Provided By Investing Activities		640	640
Net Increase (Decrease) in Cash and Cash Equivalents	(649)	(314,216)	(314,865)
Cash and Cash Equivalents - July 1, 2007	33,976	337,615	371,591
Cash and Cash Equivalents - June 30, 2008	\$ 33,327	\$ 23,399	\$ 56,726
 <b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>			
Operating Income (Loss)	\$ 19,185	\$ (109,808)	\$ (90,623)
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities			
Depreciation Expense	1,565	119,414	120,979
Net Cash Provided By Operating Activities	\$ 20,750	\$ 9,606	\$ 30,356

The accompanying notes are an integral part of the financial statements.

**WAYNE COUNTY**  
**STATEMENT OF FIDUCIARY FUND NET ASSETS – MODIFIED CASH BASIS**

**June 30, 2008**



**Agency Fund**

**Wayne County  
Canteen  
Inmate Fund**

### Cash and Cash Equivalents

\$ 3,434

Total Assets

3,434

### Amounts Held In Custody For Others

3,434

Total Liabilities

3,434

## Total Net Assets

\$ \hspace{10em} 0

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The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

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**WAYNE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county prepares its government wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Wayne County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The county has no discretely presented component units.

**Blended Component Units**

The following legally separate organizations provide their services exclusively to the primary government, and the fiscal court is able to impose its will on these organizations. These organizations' balances and transactions are reported as though they are part of the county's primary government using the blending method.

**Wayne County Public Properties Corporation**

The fiscal court appoints a voting majority of the Public Properties Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Public Properties Corporation. The Public Properties Corporation's financial information is reported in the Justice Center Project Fund and Detention Facility Project Fund.

**WAYNE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Reporting Entity (Continued)**

Blended Component Units (Continued)

Wayne County Airport Board

The Wayne County Airport Board (the Board) was established to oversee the operations of the Wayne County Airport. The Board does not have separate corporate powers from those of the Fiscal Court. Therefore, management must include the Board as a component unit and the Board's financial activity has been blended with that of the Fiscal Court. The Board's financial information is reported in the Airport Board Fund.

**C. Wayne County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Wayne County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Wayne County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**D. Government-wide and Fund Financial Statements**

The primary government reports the governmental activities, business-type activities and proprietary funds using the economic resources measurement focus and the modified cash basis of accounting. Revenues are recognized when received and expenses are recognized when paid, except for the recognition of depreciation expense on the statement of activities.

The government-wide and fund financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.



**WAYNE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3<sup>rd</sup> Saturday in April following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**Governmental Funds**

The primary government reports the following major governmental funds:

**General Fund** - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

**Road Fund** - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

**Jail Fund** - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

**WAYNE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

Justice Center Project Fund - This fund accounts for the funds used for construction of a new Justice Center and is a part of the Public Properties Corporation, a blended component unit of the county. The Public Properties Corporation issued debt to build the Justice Center and has entered into a contract, lease, and option with the County and Administrative Office of The Courts (AOC), Commonwealth of Kentucky. The Department for Local Government does not require the fiscal court to report or budget these funds.

Detention Facility Project Fund - This fund accounts for the accumulation of resources for the payment of long-term debt principal and interest for the Wayne County Detention Facility and is a part of the Public Properties Corporation, a blended component unit of the county. The Public Properties Corporation issued debt to build a detention facility and has entered into a contract, lease, and option with the County. The Department for Local Government does not require the fiscal court to report or budget these funds

The government also has the following non-major governmental funds: Local Government Economic Assistance Fund, Homeland Security Fund, Emergency Management Fund, and Timberland Tax Fund.

**Special Revenue Funds:**

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Homeland Security Fund, Emergency Management Fund, and Timberland Tax Fund are special revenue funds. Special revenue funds are used to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**Capital Projects Fund:**

The Justice Center Project Fund is a capital projects fund. Capital projects funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities.

**Debt Service Fund:**

The Detention Facility Project Fund is a debt service fund. Debt service funds are used to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

**Proprietary Funds**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales and services in the Jail Canteen Fund and the Airport Board Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

**WAYNE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

The primary government reports the following major proprietary funds:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Airport Board Fund - This fund is used to account for the operations of the Wayne County Airport. Operating revenues of this fund are derived mainly from fuel and water sales and the rental of hangar space at the airport. Operating expenses consist mainly of the cost of sales, office expenses and depreciation.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund is used to account for monies held by the county in the Jail Canteen Inmate Fund for custodial purposes only. Unlike other funds, agency funds report assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary fund:

Wayne County Canteen Inmate Fund – This accounts for funds received from inmates and held until inmates use the funds or are released from custody.

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**WAYNE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**F. Capital Assets**

Capital assets, which include land and land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	25,000	10-75
Machinery and Equipment	2,500	3-25
Vehicles	2,500	3-25
Infrastructure	20,000	10-50

**G. Long-term Obligations**

In the government-wide financial statements and proprietary funds in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, long-term loan agreements, and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

**WAYNE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. Fund Equity (Continued)**

“Reserved for Encumbrances” are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The State Local Finance Officer does not require the Public Properties Corporation Funds, the Jail Canteen Fund, or the Airport Board Fund to be budgeted.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**J. Joint Ventures**

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following are joint ventures of Wayne County Fiscal Court:

Tri-County Animal Control is considered a joint venture with Wayne, Clinton and Cumberland County Fiscal Courts.

Monticello-Wayne County Park is considered a joint venture with the Wayne County Fiscal Court and the City of Monticello.

Community Telecom Services is considered a joint venture with the Wayne County Fiscal Court and the City of Monticello.

**WAYNE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 2. Deposits**

The primary government and component units' maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were not met, as the county did not have a written agreement with one of its depository institutions stating that collateral would be pledged to protect deposits.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institution's failure, the government's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240 (4). As of August 31, 2007, the collateral and FDIC insurance of the County together did not equal or exceed the amount on deposit, leaving \$460,494 exposed to custodial credit risk.

The Fiscal Court held a properly executed collateral security agreement for \$329,447 of the \$460,494, but the bank did not adequately collateralize the deposits in accordance with the security agreement. Fiscal Court did not have a valid, written security agreement in place for the remaining \$131,047.

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2008 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government: <u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 931,035	\$ 5,000	\$	\$ 936,035
Construction In Progress	347,966		(347,966)	
Total Capital Assets Not Being Depreciated	1,279,001	5,000	(347,966)	936,035
Capital Assets, Being Depreciated:				
Buildings	11,009,463	973,007		11,982,470
Other Equipment	627,316	388,816		1,016,132
Vehicles and Equipment	1,458,114	158,905	(5,800)	1,611,219
Infrastructure	2,182,747	1,173,365		3,356,112
Total Capital Assets Being Depreciated	15,277,640	2,694,093	(5,800)	17,965,933

**WAYNE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 3. Capital Assets (Continued)**

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Less Accumulated Depreciation For:				
Buildings	\$ (646,398)	\$ (142,287)	\$	\$ (788,685)
Other Equipment	(203,551)	(79,176)		(282,727)
Vehicles and Equipment	(833,794)	(113,474)	5,220	(942,048)
Infrastructure	(177,178)	(134,245)		(311,423)
Total Accumulated Depreciation	(1,860,921)	(469,182)	5,220	(2,324,883)
Total Capital Assets, Being Depreciated, Net	13,416,719	2,224,911	(580)	15,641,050
Governmental Activities Capital Assets, Net	<u>\$ 14,695,720</u>	<u>\$ 2,229,911</u>	<u>\$ (348,546)</u>	<u>\$ 16,577,085</u>
<u>Business-Type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 110,312	\$	\$	\$ 110,312
Total Capital Assets Not Being Depreciated	110,312			110,312
Capital Assets, Being Depreciated:				
Buildings	1,161,952			1,161,952
Other Equipment	13,568			13,568
Vehicles and Equipment	9,500			9,500
Infrastructure	1,885,029	599,758		2,484,787
Total Capital Assets Being Depreciated	3,070,049	599,758		3,669,807
Less Accumulated Depreciation For:				
Buildings	(291,141)	(19,753)		(310,894)
Other Equipment	(6,760)	(1,565)		(8,325)
Vehicles and Equipment	(7,470)	(270)		(7,740)
Infrastructure	(75,401)	(99,391)		(174,792)
Total Accumulated Depreciation	(380,772)	(120,979)		(501,751)
Total Capital Assets, Being Depreciated, Net	2,689,277	478,779		3,168,056
Business-Type Activities Capital Assets, Net	<u>\$ 2,799,589</u>	<u>\$ 478,779</u>	<u>\$ 0</u>	<u>\$ 3,278,368</u>

**WAYNE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 3. Capital Assets (Continued)**

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 98,459
Protection to Persons and Property	210,688
General Health and Sanitation	3,828
Roads, Including Depreciation of General Infrastructure Assets	<u>156,207</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 469,182</u>

Business-Type Activities

Jail Canteen	\$ 1,565
Airport	<u>119,414</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 120,979</u>

**Note 4. Long-term Debt**

**A. Justice Center - Series 2003 Bond Issue**

On January 1, 2003, the Public Properties Corporation issued \$7,395,000 of First Mortgage Revenue Bonds, Series 2003, for the construction of the Wayne County Justice Center. The bonds have various interest rates. Interest is payable March 1 and September 1 of each year beginning September 1, 2003. Principal is payable September 1 each year beginning September 1, 2004. As of June 30, 2008, outstanding bond principal was \$6,345,000. The remaining bond principal and interest requirements are:

Fiscal Year Ended June 30	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 290,000	\$ 258,602
2010	300,000	246,803
2011	310,000	234,602
2012	325,000	221,903
2013	340,000	208,602
2014-2018	1,905,000	823,430
2019-2023	2,345,000	380,856
2024	<u>530,000</u>	<u>11,263</u>
Totals	<u>\$ 6,345,000</u>	<u>\$ 2,386,061</u>

**B. Justice Center - Series 2005 Bonds**

On September 1, 2005, the Public Properties Corporation issued \$560,000 of First Mortgage Revenue Bonds, Series 2005, for the final construction of the Wayne County Justice Center. The bonds have various interest rates payable each March 1 and September 1 of each year beginning March 1, 2006. Principal is payable September 1 each year beginning September 1, 2006. As of June 30, 2008, outstanding bond principal was \$510,000. The remaining bond principal and interest requirements are:



**WAYNE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 4. Long-term Debt (Continued)**

**B. Justice Center - Series 2005 Bonds (Continued)**

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 20,000	\$ 19,610
2010	25,000	18,868
2011	25,000	18,042
2012	25,000	17,161
2013	25,000	16,224
2014-2018	155,000	64,263
2019-2023	190,000	29,018
2023-2025	45,000	1,047
Totals	<u>\$ 510,000</u>	<u>\$ 184,233</u>

**C. Detention Center - Series 1999 First Mortgage Revenue Bonds**

On November 10, 1999, the Public Properties Corporation issued \$4,665,000 of First Mortgage Revenue Bonds, Series 1999, for the construction of the Wayne County Detention Facility. During fiscal year 2007, the Public Properties Corporation issued General Obligation Refunding Bonds, Series 2007 (Note 4.D.). A portion of this bond issue was used to defease the First Mortgage Revenue Bonds, Series 1999. As of June 30, 2008, the escrow account had a balance of \$4,054,600.

**D. Detention Center - Series 2006 Refunding Bonds**

On March 1, 2006, the Public Properties Corporation issued \$4,135,000 of General Obligation Refunding Bonds, Series 2006, for the Wayne County Detention Facilities Project. The bonds have an interest rate of 4.0% and is payable May 1 and November 1 of each year beginning May 1, 2006. Principal is payable November 1 each year beginning November 1, 2006. As of June 30, 2008, outstanding bond principal was \$3,820,000. The remaining bond principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 160,000	\$ 149,600
2010	170,000	143,000
2011	175,000	136,100
2012	185,000	128,900
2013	185,000	121,500
2014-2018	1,065,000	485,900
2019-2023	1,290,000	251,600
2024-2025	590,000	23,800
Totals	<u>\$ 3,820,000</u>	<u>\$ 1,440,400</u>

**WAYNE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 4. Long-term Debt (Continued)**

**E. Fire Pumper**

On April 5, 2004, the Wayne County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust Program for the acquisition of a Fire Pumper. Terms of the agreement stipulate a five-year repayment schedule with variable interest payments and variable annual principal payments ending April 20, 2009. As of June 30, 2008, principal outstanding was \$46,073. Future principal and interest requirements are:

	<u>Governmental Activities</u>	
<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2009	<u>\$ 46,073</u>	<u>\$ 887</u>
Totals	<u>\$ 46,073</u>	<u>\$ 887</u>

**F. Ambulances**

On December 22, 2003, the Wayne County Fiscal Court entered into a \$150,900 agreement with Kansas State Bank of Manhattan for the acquisition of two 2003 McCoy Miller Type I Ambulances. Terms stipulated a five-year repayment schedule of twenty (20) quarterly payments through December 22, 2008, at 4.29% interest. As of June 30, 2008, the principal outstanding was \$16,579. Future principal and interest requirements are:

	<u>Governmental Activities</u>	
<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2009	<u>\$ 16,579</u>	<u>\$ 267</u>
Totals	<u>\$ 16,579</u>	<u>\$ 267</u>

**G. Airport Loan (Business-Type Activities)**

On October 20, 2003, the Airport Board, with approval from the Wayne County Fiscal Court entered into a \$75,000 loan agreement with the Kentucky Transportation Cabinet for the improvement of the airport. Terms of the agreement stipulate a ten-year repayment schedule at 2% interest. As of June 30, 2008, the principal outstanding was \$45,000. Future principal and interest requirements are:

**WAYNE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 4. Long-term Debt (Continued)**

**G. Airport Loan (Business-Type Activities) (Continued)**

Fiscal Year Ended June 30	Business-Type Activities	
	Principal	Interest
2009	\$ 7,500	\$ 900
2010	7,500	750
2011	7,500	600
2012	7,500	450
2013	7,500	300
2014	7,500	150
Totals	<u>\$ 45,000</u>	<u>\$ 3,150</u>

**H. Cable System Loan/Notes Receivable**

On August 12, 2004, the Wayne County Fiscal Court passed and adopted a resolution authorizing the county to enter into a joint venture with the City of Monticello for the purchase and improvement of a cable television system. Financing of the county's portion of the project is provided through a certain lease agreement between the Kentucky League of Cities Leasing Trust ("the Lessor") and the County ("the Lessee") at an aggregate principal amount not to exceed \$2,300,000. Terms of the agreement stipulate a twenty-year repayment schedule beginning December 2004, with a variable interest rate. The annual debt service is paid from the cable service fees collected. As of June 30, 2008, principal outstanding was \$1,977,105. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 94,956	\$ 58,405
2010	97,733	55,627
2011	100,685	52,676
2012	103,633	49,727
2013	106,892	46,468
2014-2018	584,370	182,431
2019-2023	677,800	89,001
2024-2025	211,036	6,224
Totals	<u>\$ 1,977,105</u>	<u>\$ 540,559</u>

**WAYNE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 4. Long-term Debt (Continued)**

**H. Cable System Loan/Notes Receivable (Continued)**

The County has also recorded a note receivable due from the joint venture for the amount of the debt incurred by the County as follows:

Current Portion	\$ 94,956
Long-Term Portion	<u>1,882,149</u>
Total	<u><u>\$ 1,977,105</u></u>

**I. Ambulance and Heart Monitor**

On October 13, 2004, the Wayne County Fiscal entered into a \$74,000 agreement with Kentucky Association of Counties Leasing Trust Program for the acquisition of an Ambulance and Heart Monitor. Terms of the agreement stipulate a five-year repayment schedule, with a 2.73% fixed interest rate and annual principal payments of \$15,000 ending on January 20, 2009. As of June 30, 2008, the principal outstanding was \$14,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	<u>\$ 14,000</u>	<u>\$ 301</u>
Totals	<u><u>\$ 14,000</u></u>	<u><u>\$ 301</u></u>

**J. Hope Center**

On February 16, 2001, the Wayne County Fiscal Court entered into a lease with option to purchase agreement with the Commonwealth of Kentucky for the acquisition of the Hope Center, formerly the Old Maintenance Site. Terms of the agreement stipulate a yearly principal payment of \$2,922 for a period of ten years ending on July 1, 2010. As of June 30, 2008, the principal outstanding was \$2,922. Future principal requirements are:

Fiscal Year Ended June 30	Governmental Activities
	Principal
2009	<u>\$ 2,922</u>
Totals	<u><u>\$ 2,922</u></u>

**WAYNE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 4. Long-term Debt (Continued)**

**K. Mack Dump Truck/Asset Held For Resale**

On March 28, 2007, the Wayne County Fiscal Court entered into a \$105,000 lease agreement with the Bank of New York Trust Company for the acquisition of a 2007 Mack dump truck. Terms of the agreement stipulate an eighteen-month repayment schedule, with a 4% fixed interest rate and a principal payment of \$105,000 due on September 20, 2008. As of June 30, 2008, the principal outstanding was \$105,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 105,000	\$ 2,100
Totals	<u>\$ 105,000</u>	<u>\$ 2,100</u>

**L. Mack Dump Truck/Asset Held For Resale**

On March 25, 2008, the Wayne County Fiscal entered into a \$105,000 lease agreement with the Bank of New York Trust Company for the acquisition of a 2008 Mack dump truck. Terms of the agreement stipulate an eighteen-month repayment schedule, with a 3.75% fixed interest rate and a principal payment of \$105,000 due on September 20, 2009. As of June 30, 2008 principal outstanding was \$105,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 105,000	\$ 6,722
Totals	<u>\$ 105,000</u>	<u>\$ 6,722</u>

**M. Sheriff's Vehicles**

On July 13, 2007 the Wayne County Fiscal Court entered into a \$71,656 agreement with the Kentucky Association of Counties Leasing Trust Program for the acquisition of two Sheriff's vehicles. Terms of the agreement stipulate a three-year repayment schedule, with a 5.33% fixed interest rate and varying annual principal payments ending on January 10, 2010. As of June 30, 2008, principal outstanding was \$48,656. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 24,000	\$ 2,058
2010	<u>24,656</u>	<u>770</u>
Totals	<u>\$ 48,656</u>	<u>\$ 2,828</u>

**WAYNE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 4. Long-term Debt (Continued)**

**N. John Deere Grader**

On March 17, 2008 the Wayne County Fiscal Court entered into a \$160,514 agreement with Monticello Banking Company for the acquisition of a John Deere Grader. Terms stipulate a ten-year repayment schedule, with a 3.96% fixed interest rate and monthly principal and interest payments ending on January 17, 2018. As of June 30, 2008, principal outstanding was \$154,498. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 13,748	\$ 5,336
2010	14,252	4,833
2011	14,774	4,312
2012	15,314	3,771
2013	15,875	3,210
2014-2018	80,535	6,947
Totals	<u>\$ 154,498</u>	<u>\$ 28,409</u>

**O. Changes in Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
Bonds	\$ 11,135,000	\$	\$ 460,000	\$10,675,000	\$ 470,000
Financing Obligations	<u>2,345,958</u>	<u>337,170</u>	<u>213,295</u>	<u>2,469,833</u>	<u>422,279</u>
Governmental Activities					
Long-term Liabilities	<u>\$ 13,480,958</u>	<u>\$ 337,170</u>	<u>\$ 673,295</u>	<u>\$13,144,833</u>	<u>\$ 892,279</u>
<u>Business-type Activities:</u>					
Long Term Airport Loan	<u>\$ 52,500</u>		<u>\$ 7,500</u>	<u>\$ 45,000</u>	<u>\$ 7,500</u>
Business-Type Activities					
Long-term Liabilities	<u>\$ 52,500</u>	<u>\$</u>	<u>\$ 7,500</u>	<u>\$ 45,000</u>	<u>\$ 7,500</u>

**Note 5. Interest on Long-term Debt and Financing Obligations**

Debt Service on the Statement of Activities includes \$457,780 in interest on financing obligations, bonds, and notes.

**WAYNE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 6. Employee Retirement System**

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.17 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement System's annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

**Note 7. Deferred Compensation**

On February 24, 2000, the Wayne County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full-time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority, 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

**Note 8. Insurance**

For the fiscal year ended June 30, 2008, Wayne County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**WAYNE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 9. Prior Period Adjustments**

**A. Statement of Activities**

The primary governments beginning net assets balance reported on the Statement of Activities for governmental activities of \$4,781,610 has been adjusted due to changes in prior year ending cash balances. The net effect of these adjustments is an increase of \$471. Changes in the prior year ending fund balances will be detailed in part B of this note.

**B. Fund Balances**

The primary government beginning fund balance for governmental activities of \$1,392,731 has been adjusted to include a total of \$471 for prior period adjustments. These adjustments for prior period voided checks include increases to the General and Jail Funds of \$400 and \$71, respectively. The adjustment increases the beginning fund balance by \$471.



**WAYNE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2008**



**WAYNE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**

**For The Year Ended June 30, 2008**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 2,805,144	\$ 2,890,608	\$ 2,895,794	\$ 5,186
In Lieu Tax Payments	336,609	394,211	385,084	(9,127)
Excess Fees	35,372	242,765	241,767	(998)
Licenses and Permits	34,789	37,419	37,035	(384)
Intergovernmental Revenue	3,089,830	2,909,984	1,095,245	(1,814,739)
Charges for Services	731,000	731,000	731,955	955
Miscellaneous	17,300	50,129	53,283	3,154
Interest	14,000	18,145	37,704	19,559
Total Revenues	<u>7,064,044</u>	<u>7,274,261</u>	<u>5,477,867</u>	<u>(1,796,394)</u>
<b>EXPENDITURES</b>				
General Government	1,422,296	1,573,394	971,590	601,804
Protection to Persons and Property	1,620,067	1,654,117	1,461,925	192,192
General Health and Sanitation	459,434	470,195	383,411	86,784
Social Services	399,425	409,116	238,441	170,675
Recreation and Culture	354,900	337,229	292,228	45,001
Airports	20,700	23,300	22,851	449
Debt Service		123,216	123,216	
Capital Projects	1,676,952	1,605,505	580,452	1,025,053
Administration	1,280,721	1,670,631	1,081,186	589,445
Total Expenditures	<u>7,234,495</u>	<u>7,866,703</u>	<u>5,155,300</u>	<u>2,711,403</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(170,451)</u>	<u>(592,442)</u>	<u>322,567</u>	<u>915,009</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers To Other Funds	(734,649)	(595,798)	(595,408)	390
Transfers From Other Funds		5,000	5,000	
Total Other Financing Sources (Uses)	<u>(734,649)</u>	<u>(590,798)</u>	<u>(590,408)</u>	<u>390</u>
Net Changes in Fund Balance	(905,100)	(1,183,240)	(267,841)	915,399
Fund Balance - Beginning (Restated)	<u>905,100</u>	<u>1,183,240</u>	<u>1,183,240</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 915,399</u>	<u>\$ 915,399</u>

**WAYNE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2008**  
**(Continued)**

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
In Lieu Tax Payments	\$ 700	\$ 1,282	\$ 1,282	\$
Intergovernmental Revenue	1,113,731	1,951,133	1,951,134	1
Miscellaneous		90,057	827	(89,230)
Interest	4,000	10,685	8,409	(2,276)
Total Revenues	1,118,431	2,053,157	1,961,652	(91,505)
<b>EXPENDITURES</b>				
Transportation Facilities and Services	6,100	9,533	9,035	498
Roads	1,218,256	2,055,321	2,006,556	48,765
Debt Service		12,187	12,187	
Administration	133,734	159,230	94,140	65,090
Total Expenditures	1,358,090	2,236,271	2,121,918	114,353
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(239,659)	(183,114)	(160,266)	22,848
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds From Sale Of Asset Held For Resale			90,057	90,057
Transfers In	129,859	129,859	129,859	
Total Other Financing Sources (Uses)	129,859	129,859	219,916	90,057
Net Changes in Fund Balance	(109,800)	(53,255)	59,650	112,905
Fund Balance - Beginning	109,800	53,255	53,155	(100)
Fund Balance - Ending	\$ 0	\$ 0	\$ 112,805	\$ 112,805

**WAYNE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2008**  
**(Continued)**

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,085,511	\$ 1,315,070	\$ 1,316,317	\$ 1,247
Charges for Services	39,000	30,670	29,257	(1,413)
Miscellaneous	29,700	31,004	31,073	69
Interest	1,000	3,012	3,162	150
Total Revenues	1,155,211	1,379,756	1,379,809	53
EXPENDITURES				
Protection to Persons and Property	1,210,181	1,304,677	1,266,933	37,744
Debt Service	318,000	318,500	2,500	316,000
Administration	275,981	246,271	220,012	26,259
Total Expenditures	1,804,162	1,869,448	1,489,445	380,003
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)				
	(648,951)	(489,692)	(109,636)	380,056
OTHER FINANCING SOURCES (USES)				
Transfers Out			(316,000)	(316,000)
Transfers In	598,851	457,500	457,110	(390)
Total Other Financing Sources (Uses)	598,851	457,500	141,110	(316,390)
Net Changes in Fund Balance	(50,100)	(32,192)	31,474	63,666
Fund Balance - Beginning (Restated)	50,100	32,192	32,192	
Fund Balance - Ending	\$ 0	\$ 0	\$ 63,666	\$ 63,666

**WAYNE COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2008**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**Note 2. General Fund Reconciliation**

The General Fund Budgetary Comparison Schedule differs from the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds for the following reason:

Total Expenditures-Budgetary Basis	\$ 5,155,300
Add: Purchase of Sheriff's Vehicles	71,656
Total Expenditures-Modified Cash Basis	<u>\$ 5,226,956</u>
 Total Other Financing Sources (Uses) - Budgetary Basis	 \$ (590,408)
Add: Borrowed Money (Purchase of Sheriff's Vehicles)	71,656
Total Other Financing Sources (Uses) -Modified Cash Basis	<u>\$ (518,752)</u>

**Note 3. Road Fund Reconciliation**

The Road Fund Budgetary Comparison Schedule differs from the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds for the following reason:

Total Expenditures-Budgetary Basis	\$ 2,121,918
Add: Purchase Mack Truck	105,000
Add: Purchase of Grader	160,514
Total Expenditures-Modified Cash Basis	<u>\$ 2,387,432</u>
 Total Other Financing Sources (Uses) - Budgetary Basis	 \$ 219,916
Add: Purchase Mack Truck	105,000
Add: Purchase of Grader	160,514
Total Other Financing Sources (Uses) -Modified Cash Basis	<u>\$ 485,430</u>

**WAYNE COUNTY  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
Other Supplementary Information**

**June 30, 2008**





**WAYNE COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2008**

	<b>LGEA Fund</b>	<b>Homeland Security Fund</b>	<b>Emergency Management Fund</b>	<b>Timberland Tax Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 3,415	\$ 12	\$ 1,424	\$ 7,247	\$ 12,098
Total Assets	<u>3,415</u>	<u>12</u>	<u>1,424</u>	<u>7,247</u>	<u>12,098</u>
<b>FUND BALANCES</b>					
Reserved for:					
Encumbrances			933		933
Unreserved:					
Special Revenue Funds	<u>3,415</u>	<u>12</u>	<u>491</u>	<u>7,247</u>	<u>11,165</u>
Total Fund Balances	<u>\$ 3,415</u>	<u>\$ 12</u>	<u>\$ 1,424</u>	<u>\$ 7,247</u>	<u>\$ 12,098</u>

The accompanying notes are an integral part of the financial statements.

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**WAYNE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2008**



**WAYNE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2008**

	<b>LGEA Fund</b>	<b>Homeland Security Fund</b>	<b>Emergency Management Fund</b>	<b>Timberland Tax Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>REVENUES</b>					
Taxes	\$	\$	\$	\$ 3,366	\$ 3,366
Intergovernmental	27,778	5,000	3,444		36,222
Interest	320		113	126	559
Total Revenues	<u>28,098</u>	<u>5,000</u>	<u>3,557</u>	<u>3,492</u>	<u>40,147</u>
<b>EXPENDITURES</b>					
General Government	29,383				29,383
Protection to Persons and Property		1,926	19,490	3,866	25,282
Administration	5,860				5,860
Total Expenditures	<u>35,243</u>	<u>1,926</u>	<u>19,490</u>	<u>3,866</u>	<u>60,525</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(7,145)</u>	<u>3,074</u>	<u>(15,933)</u>	<u>(374)</u>	<u>(20,378)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers From Other Funds			8,439		8,439
Transfers To Other Funds		(5,000)			(5,000)
Total Other Financing Sources (Uses)		<u>(5,000)</u>	<u>8,439</u>		<u>3,439</u>
Net Change in Fund Balances	(7,145)	(1,926)	(7,494)	(374)	(16,939)
Fund Balances - Beginning	10,560	1,938	8,918	7,621	29,037
Fund Balances - Ending	<u>\$ 3,415</u>	<u>\$ 12</u>	<u>\$ 1,424</u>	<u>\$ 7,247</u>	<u>\$ 12,098</u>

The accompanying notes are an integral part of the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**







CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Greg Rankin, Wayne County Judge/Executive  
Members of the Wayne County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial Statements  
Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wayne County, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated June 8, 2008. Wayne County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wayne County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Wayne County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Wayne County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying comments and recommendations as items 2008-3, 2008-4, and 2008-5 to be significant deficiencies in internal control over financial reporting.



Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Wayne County's financial statements as of and for the year ended June 30, 2008, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are included in the accompanying comments and recommendations as items 2008-1 and 2008-2.

The Wayne County Judge/Executive and the Jailer's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the officials' responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Wayne County Fiscal Court and the Department for Local Government and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

June 8, 2009

**WAYNE COUNTY  
COMMENTS AND RECOMMENDATIONS**

**Fiscal Year Ended June 30, 2008**



**WAYNE COUNTY  
COMMENTS AND RECOMMENDATIONS  
Fiscal Year Ended June 30, 2008**

**STATE LAWS AND REGULATIONS:**

**2008-1 The Fiscal Court Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits And Should Have A Written Agreement To Protect Deposits**

On August 31, 2007, \$131,047 of the county's deposits in a depository institution was uninsured and unsecured. According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equal or exceeds the amount of public funds on deposit at all times. In addition, it was noted that there was no valid written agreement between the Fiscal Court and the depository institution, signed by both parties securing the county's interest in the collateral

We recommend Fiscal Court require the depository institution to pledge sufficient collateral to protect deposits and enter into a written agreement with the depository institution to secure the county's interest in the collateral pledged or provided by the depository institution. According to federal law U.S.C.A. 1823 (e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution.

*County Judge/Executive Greg Rankin's Response: A written agreement to protect all deposits is currently in place.*

**2008-2 The Airport Board Should Pay Invoices Within Thirty Working Days As Required By KRS 65.140**

During our testing of expenditures we noted 4 out of 12 expenditures tested were not paid within thirty (30) working days as required by KRS 65.140. Due to the late payment of sales tax to the state, a late fee of \$41 was assessed.

Two of the invoices were to be paid with state grant funds. It appears the grant funds were received several months before actual payment was made to the vendors.

KRS 65.140 states that "unless the purchaser and vendor otherwise contract, all bills for goods and services shall be paid within thirty (30) working days of receipt of a vendor's invoice except when payment is delayed because the purchaser has made a written disapproval of improper performances or improper invoicing by the vendor's subcontractor".

This statute further states "an interest penalty of one percent (1%) of any amount approved and unpaid shall be added to the amount approved each month or fraction thereof after the thirty (30) working days which follow receipt of vendor's invoice by the purchaser." We recommend the Airport Board comply with KRS 65.140 and pay all invoices within the required thirty (30) working days

*Airport Board Chairman Ralph Davis's Response: The official did not respond.*

*County Judge/Executive Greg Rankin's Response: The official did not respond.*

**WAYNE COUNTY**  
**COMMENTS AND RECOMMENDATIONS**  
**Fiscal Year Ended June 30, 2008**  
**(Continued)**

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES:

2008-3 Jail Commissary Lacks An Adequate Segregation Of Duties

Segregation of duties or implementation of compensating controls, when needed because the number of staff is limited, is essential for providing protection to employees in the normal course of performing their duties and can also help prevent inaccurate financial reporting and/or misappropriation of assets. A lack of segregation exists over the receipt, disbursement, record-keeping, and reconciliation functions because a limited number of employees are available to properly segregate these job duties. The Jail Commissary Supervisor receives cash, prepares the daily checkout sheet, prepares the daily bank deposit, prepares the monthly bank reconciliation, writes and signs all disbursements, posts to the receipt and disbursement ledgers and is in charge of all purchasing.

Because the Jail Commissary Supervisor handled all functions of the Jail Commissary and compensating controls were not in place, we noted the following:

- No evidence of review of the bank reconciliation
- Bank account had outstanding checks dating back to 2006.

To adequately protect employees in the normal course of performing their duties, and/or prevent inaccurate financial reporting or misappropriation of assets, we recommend the jail commissary separate the various receipt, disbursement, record-keeping, and reconciliation functions or implement compensating controls. If, due to limited number of staff, that is not feasible, strong oversight over those areas should occur and involve an employee not currently performing any of those functions. Additionally, the Jailer could provide this oversight.

Subsequently, the Jail Commissary has implemented the following compensating controls: Dual signatures on all disbursements, with one being the official and a contracted individual prepares the fiscal year end financial statements.

*Jailer Ray C. Upchurch's Response: We have already started having two signatures on all canteen checks. I also review monthly bank balances.*

*County Judge/Executive Greg Rankin's Response: The official did not respond.*

2008-4 The Airport Board Lacks An Adequate Segregation Of Duties

Segregation of duties or implementation of compensating controls, when needed because the number of staff is limited, is essential for providing protection to employees in the normal course of performing their duties and can also help prevent inaccurate financial reporting and/or misappropriation of assets.

A lack of segregation exists over the receipt, disbursement, record-keeping, and reconciliation functions because a limited number of employees are available to properly segregate these job duties. The Airport Board bookkeeper receives cash, prepares bank deposits, prepares the monthly bank reconciliation, writes and co-signs all disbursements, as well as posts to the receipt and disbursement ledgers

**WAYNE COUNTY**  
**COMMENTS AND RECOMMENDATIONS**  
**Fiscal Year Ended June 30, 2008**  
**(Continued)**

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES  
(Continued):

2008-4 The Airport Board Lacks An Adequate Segregation Of Duties (Continued)

Because the Airport Board bookkeeper handled all functions of the Airport Board and compensating controls were not in place, we noted the following:

- No evidence of review of any financial information prepared by the bookkeeper
- The June 30, 2008 bank reconciliation could not be produced
- The general ledger was incomplete and inaccurate. Auditor made numerous adjustments to reconcile the cash balance per the balance sheet to the actual cash balance. Auditor adjusted both receipts and disbursements over \$200,000.
- Sales tax for September 2007 was overpaid by \$483.

To adequately protect employees in the normal course of performing their duties, and/or prevent inaccurate financial reporting or misappropriation of assets, we recommend the Airport Board separate the various receipt, disbursement, record-keeping, and reconciliation functions or implement compensating controls. If, due to a limited number of staff, that is not feasible, strong oversight over those areas should occur and involve an employee not currently performing any of those functions. Additionally, the Airport Board President could provide this oversight.

Subsequently, the Airport Board has implemented the following compensating control: Dual signatures on all disbursements, with one being the Airport Board President.

*Airport Board Chairman Ralph Davis's Response: The official did not respond.*

*County Judge/Executive Greg Rankin's Response: The official did not respond.*

2008-5 The Airport Board Should Maintain Adequate Grant Files

During testing of expenditures, auditors noted the airport board does not maintain adequate grant files. During the fiscal year, the airport board received both state and federal grant monies used for taxiway construction and paving. The Airport Board was unable to provide auditor's with copies of the federal grant agreement or bid documents. In the future, we recommend the Airport Board maintain adequate grant files, which should contain copies of grant agreements, bid documents, all reports submitted to state and federal agencies, as well as all reimbursement documents

*Airport Board Chairman Ralph Davis's Response: The official did not respond.*

*County Judge/Executive Greg Rankin's Response: The official did not respond.*

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**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**WAYNE COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2008**

Appendix A



**CERTIFICATION OF COMPLIANCE**  
**LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**  
**WAYNE COUNTY FISCAL COURT**

For The Fiscal Year Ended June 30, 2008

The Wayne County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
\_\_\_\_\_  
Name  
County Judge/Executive

  
\_\_\_\_\_  
Name  
County Treasurer

